



# AGENDA MEMO

## Business of the City Council

### City of Sweeny, Texas

<b>Meeting Date</b>	08.22.2023	<b>Agenda Item</b>	
<b>Approved by City Manager</b>	Yes	<b>Presenter(s)</b>	Lindsay Koskiniemi, City Manager Sweeny Leadership Team
<b>Reviewed by City Attorney</b>	No	<b>Department</b>	Budget & Finance
<b>Subject</b>	Discussion and possible action on the Fiscal Year 2023-2024 Budget presentation and discussion on the tax rate adoption for FY24		
<b>Attachments</b>	Proposed budget		
<b>Financial Information</b>	Expenditure Required:	N/A	
	Amount Budgeted:	N/A	
	Account Number:		
	Additional Appropriation Required:		
	Additional Account Number:		

### Executive Summary

The budget was first reviewed by City Council as presented on 08/01/2023. Department 20 was reviewed and the purpose of this budget workshop is to review additional departments to complete the review of the General Fund. If time allows, the Enterprise Fund may also be reviewed at this meeting. Regardless, the City must set a hearing on the tax rate, which will be reviewed in the subsequent agenda item.

The preliminary Fiscal Year 2023-2024 budget draft was presented to City Council on July 11, 2023, at which time, the members of City Council were able to offer comments on the presented anticipated revenues and costs in the General and Enterprise Funds. The preliminary FY24 budget has since been adjusted according to Council member feedback.

During the budget adoption process last year for Fiscal Year 2022-2023, we found that the ad valorem tax rate was among the highest of the municipalities within Brazoria County. The City Manager provided guidance on adopting lower tax rate percentages in a fiscally responsible manner that would not reduce services but also lower the property tax percentage gradually.

The adopted tax rate for FY22 was \$0.747062 per \$100 of valuation. The FY23 adopted property tax rate is \$0.730954, and with recent property valuation increases throughout Brazoria County this year, city staff made a recommendation to City Council to adopt a *local homestead exemption* tax rate. Sweeny has never offered a local homestead exemption (LHE) in the past, and City Council adopted a 10% LHE rate. The maximum LHE adoption is 20%.

On July 28, 2023, staff received the 2023 Certified Estimate of Taxable Value for the City of Sweeny net of protests estimated at a total valuation of \$229,618,118. The budget for FY24 has been drafted utilizing a total tax rate that includes Maintenance & Operations (M&O) and Interest & Sinking (I&S – deb service) of a total percentage rate of \$0.70 with M&O and I&S broken out respectively as \$0.62 and \$0.080. This is \$0.03094 per \$100 less in valuation than last fiscal year. These rates are subject to change with any changes made to this budget presentation or changes in required interest and sinking rate to meet debt obligations. Brazoria County will provide a recommended percentage for the debt rate, at which time, city staff will reconcile against the proposed budget and make any needed adjustments.

This budget is presented with very few new requests. Several items were removed from the preliminary budget presentation. There are two main operational funds: the General Fund where all city maintenance and operational costs are budgeted against main revenue earners: ad valorem tax revenue, sales tax, and other revenue sources such as investment interest income and



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franchise fees; and the Enterprise Fund – a business type fund dependent on the sale of utility services including water, wastewater, and natural gas service. This fund supports the maintenance and operation of the utility systems.

Enterprise Fund – in the business-type activity fund, staff has proposed the following increases:

- 4% raise (same for all employees)
- \$4,000 field tablets for utility readings.
- 3 Auto flushers at \$3800 each for assistance with flushing dead end water service lines (\$11,400).
- Substantial increase in the Enterprise Fund for the purpose of Named Storm coverage, liability insurance, and windstorm coverage.
- No Inframark contract included.
- 1 leased vehicle through the proposed Enterprise Vehicle Lease Agreement. The plan is to add a vehicle each year until fleet in PW is replaced.

#### The General Fund

The GF has been reduced to only the most critical expenditures. At the same time, with the hikes in appraisal values, staff has been able to comfortably offer a property tax rate of \$0.700 which includes operational costs and debts payable in FY24 with a reduction of nearly \$0.31/\$100 on the proposed property tax rate, which could change. In addition to achieving a more competitive tax rate, the City Council adopted a 10% local homestead rate exemption in Year One of its adoption. Many staff members perform operational duties related to General (GF) and Enterprise Fund (EF) activities, therefore most full time equivalent (FTE) employees are paid from both GF and EF. This budget proposes a 4% raise to all staff members for a cost-of-living adjustment.

The Sweeny Police Department proposes one new FTE patrol officer for safety reasons. Approval of a new FTE patrol officer position would help increase safeness for the community served and the officers. A current challenge Sweeny PD faces is only being staffed for one FTE at night. Currently, Sweeny has no holding cells so when a nighttime officer makes an arrest, they book the prisoner at the County Jail, leaving less coverage over the city. For these reasons, the PD is requested one additional officer.

Finally, the GF took on an additional note of \$2.5 million to meet the funding match requirements of the most recent Call for Transportation Alternative Projects for the installation of a 10' wide shared use walking path along N. Hackberry and a 4' sidewalk along Ashley Wilson Road starting at N. Hackberry and terminating at N. Elm to provide a safe route for pedestrians. The installation of these paths would complete a walking path around both the high school and middle school campuses. This project is reimbursable at 20%, meaning the City pays for the project costs up front and is reimbursed 80% of costs as the project is completed. If this project is not selected for funding by TXDOT, the plan is to repay the loan. This budget proposes using \$283,000 from the Sidewalk Fund, \$60,000 from Interest Earned from Sidewalk Fund Investment, and \$56,000 from Infrastructure Donations Investment Fund to offset the impact to the General Fund.

This year, cities all throughout the Texas Coast saw a dramatic increase in Named Storm coverage liability insurance. Our insurance through TWIA cannot be eliminated or cancelled because it covers the City's water towers. Other insurance rate increases this year included Worker's Compensation of approximately 16% and property insurance by nearly \$16,000 although the scope of coverage decreased.



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Overall, the FY24 budget presented to City Council addresses only the most critical needs. Not all requested items could be accommodated in this budget, but the budget is balanced in both the General Fund and the Enterprise Fund. The recommendation from staff remains to transfer investment pool interest earnings to a Capital Improvements Fund to save toward funding needed projects.

\*Line-by-line working papers will be provided at the meeting, as several personnel costs are summed in the budget presentation document.

\*Columns in the presented budget will be filled in at fiscal year-end with all budget amendments and year totals.

#### **Recommended Action**

- Review and comment on proposed budget.